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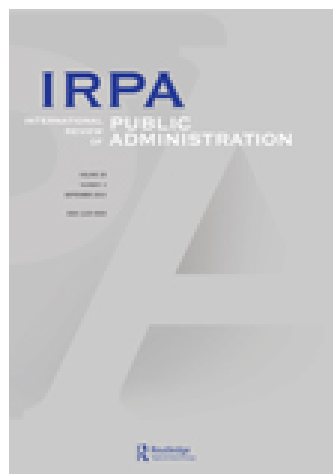
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EU coordination of welfare states after the crisis: further interconnecting soft and hard law

Sonja Bekker^a

^a Tilburg University, the Netherlands

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EU coordination of welfare states after the crisis: further interconnecting soft and hard law

Sonja Bekker*

Tilburg University, the Netherlands

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After the economic shock in 2009, the European Union (EU) changed its economic governance system considerably. The question is how social policies fare within this new system. Does stricter economic governance limit the sovereignty of states to deal with social risks? To answer this question, the article determines the nature of the EU's stricter economic governance package and explains how the interconnection between coordination mechanisms brings employment and social policy areas within the range of strengthened economic coordination. The article combines an analysis of new regulations with a study of the actual interaction between the EU and seven member states in 2011. It concludes that stricter economic governance gives the EU options to also strengthen employment and social policy coordination. Yet, the policy response of seven member states shows that there is leeway still in reacting to new EU demands.

Keywords: EU governance; EU social policy; economic governance

Introduction

The worldwide financial and economic crisis underlined the interdependence of European economies. The budgetary and economic difficulties in a single country affected the economy of others to a large extent. As a response, European member states sought for new supranational routes to coordinate national policies by developing stricter economic governance. It thus adapted its governance system in order to make member states comply better with EU demands. The central question of this article is, if this new economic governance package also changed the coordination of employment and social policies. Employment and social policies form the heart of each welfare state and are mostly developed by national public administrations. The EU has little competences in these policy domains (Hodson, 2009). The question is whether stricter economic governance has changed this division in competences between member states and EU.

Commentators on the strengthened economic governance suspect that it entails more binding tools for influencing member states' employment and social policies (cf Amtenbrink, 2012; Dinan, 2012). As such, hard law may enter the domains of social policy coordination, using the backdoor of economic governance (Bekker & Palinkas, 2012). However, to date analyses of stricter economic governance hardly specify how economic governance may impact employment and social policies, and often lack to include country responses to new EU governance in their analyses (see e.g., Clauwaert & Schömann, 2012).¹ This article attempts to fill this void by including

*Email: s.bekker@tilburguniversity.edu

both the EU and the national level into the analysis. Its focus is on seven member states that fall within the ordinary surveillance mechanisms of the EU. The article introduces the theoretical notions of interconnections between separate coordination mechanisms and coordination ambiguity and uses these to scrutinize the new sets of legislation and coordination mechanisms belonging to the economic governance package. Next, the article examines how these new governance measures operated in the first new employment and social policy coordination cycle of 2011, by scrutinizing the responses of seven member states to the new EU demands.

Interconnecting coordination cycles and developing coordination ambiguity

Traditionally, the EU's coordination of employment and social policies has been described as soft law governance. Although such coordination is Treaty-based (Art. 148 Treaty on the Functioning of the EU (TFEU)), its execution runs via the Open Method of Co-ordination (OMC), among others meaning that compliance to guidelines is not legally enforced (D. M. Trubek & L. G. Trubek, 2005; Zeitlin, Pochet, & Magnussen, 2005). The OMC cycle starts off with the Commission suggesting and the Council adopting EU-level goals, followed by members states writing National Reform Programmes (NRPs) with national policy responses. Next, based on a Commission recommendation, the Council gives individual feedback to countries in Country-specific Recommendations (CSRs). The goals set within OMCs are rather flexible and may be quickly adapted to altered circumstances or adjusted to a specific national context (Goetschy, 1999). This flexibility was used when the crisis started impacting labor markets, turning fighting unemployment and softening the social consequences of the crisis into a priority (European Commission, 2011a). The mechanisms explaining the OMC's effectiveness are naming and shaming, diffusion through discourse, deliberation between actors, learning, sharing best practices and networking (D. M. Trubek & L. G. Trubek, 2005). Conversely, the legislative route exists of legally binding obligations that are rather precisely formulated and that transfer authority for interpreting and implementing law (Abbott & Snidal, 2000). Sanctions are part of the set of instruments to trigger changes in member states.

In spite of the terms 'hard' and 'soft' implying otherwise, the OMC should not be viewed as the opposite of hard law (Smismans, 2011; Trubek, Cottrell, & Nance, 2005). Current theoretical developments point at interconnections between soft and hard governance methods. Such interconnections may emerge when separate coordination mechanisms deal with the same subject (Trubek et al., 2005), essentially bringing similar policy items within the evaluation cycle of distinct coordination mechanisms. Such 'double' evaluation may result in diverging recommendations for a single item, depending of the particular aim and viewpoint of each coordination mechanism. These contradictory recommendations may cause confusion, for instance about which direction should be prioritized. For example, if wage growth is an item under economic coordination as well as employment coordination, and these two cycles have different suggestions for wage development, member states can hardly follow one recommendation without breaching the other. Such confusion gives rise to coordination ambiguity, as it remains unclear which coordination mechanism applies to what policy aspect or which coordination mechanism prevails in case of conflicting goals and policy advices (Zeitlin, 2010). The example on wage growth shows moreover that it is quite hard to make a clear distinction between purely economic and purely social policy topics. After all, economic policies may have social aspects or social consequences while social policies may have economic

and fiscal dimensions (Zeitlin, 2010). However, Treaty-wise, EU competences are clearly separated, giving the EU more enforcement rights in economic and fiscal areas than in employment and social policy areas. The latter is largely the domain of member states and social partners, at least up until stricter economic governance was introduced (Hodson, 2009). Stricter economic governance might have changed this division in competences, potentially limiting the leeway for national public administrations to develop welfare states according to their own insights.

Methodology

This article first assesses all four coordination mechanisms that have been integrated within the first European Semester of policy coordination. This semester covers the first six months of each year and within its scope fiscal, economic, employment and social policies are jointly coordinated. In 2011, four different coordination mechanisms are part of the European Semester: the Europe 2020 Strategy, the Stability and Growth Pact (SGP), the Macroeconomic Imbalances Procedure (MIP) and the Euro Plus Pact. The assessment includes establishing to what degree these mechanisms contain ‘binding’ provisions. This is relevant, as through interconnecting coordination mechanisms, the binding provisions of one coordination mechanism may influence the nature of coordination within other cycles. The level of being binding is established by using the continuum of Abbott and Snidal (2000), with which the degree of obligation, precision, and delegation of a rule is determined. In its most extreme form, hard law has maximum levels at all three properties. The level of obligation means the extent to which the member state is legally bound by a specific rule and whether its behavior is subject to scrutiny (cf Abbott, Keohane, Moravcsik, Slaughter, & Snidal, 2000). Indicators for obligation are active monitoring by third parties and the ability to impose sanctions. A high level of precision means that a rule or norm is unambiguously defined, refraining from vague terms that offer room for various interpretations. Indicators for precision are whether the Council refers to specific national policy programs and whether precise deadlines indicate the terms of implementation. The extent to which delegation takes place is assessed by viewing whether third parties, in this case the European Commission or the Council, have the authority to implement, interpret and apply the rules and may propose new rules. For each of the four coordination mechanisms employment and social policy areas are highlighted. In case these mechanisms deal with similar policy topics, interconnections between coordination cycles is established. The data sources used, are EU regulations and policy documents that introduce and explain the four coordination mechanisms, meaning the legislation and policy documents that belong to the stricter economic governance package.

Next, the analysis explores the interactions between seven member states and the EU in 2011. This year is chosen, as it is the first year in which the new economic governance system was largely in operation. The assessment is based on EU-level and national policy documents belonging to the employment and social policy cycle, such as the Annual Growth Survey with EU targets, the NRPs of seven member states and the corresponding CSRs. Such documents have been used before to assess the employment OMC in operation (see e.g., Copeland & Ter Haar, 2013; Thillaye, 2013).² Indicators measuring the leeway for countries are their ability to develop their own targets, choose their own policies and determine their own reform pace. The seven case countries are Germany (DE), France (FR), Spain (ES), Poland (PL), the Netherlands (NL), Denmark (DK) and the UK. The choice for these countries is based on the

consideration that all countries are part of the same policy cycles, yet, may experience different degrees of peer pressure, as they belong to different groups of member states. The case countries differ regarding their Eurozone membership (DE, FR, ES, NL are Eurozone members, and PL, UK, DK are not) and economic climate in 2011 (with ES facing severe economic difficulties and to a lesser extent also FR and UK). Eurozone countries have to meet stricter rules and are liable to sanctions more often, whereas countries in difficult economic circumstances usually have progressed in a coordination cycle towards the corrective stages. Thus, both Eurozone countries and countries in bad economic weather may feel more pressure to meet EU demands and therefore may experience less leeway to respond to these demands. All seven case countries are part of the Europe 2020 cycle, and all have progressed towards the corrective arm of the SGP, which is the Excessive Deficit Procedure (EDP). The UK, Denmark and Poland do not run the risk of getting fines and may therefore experience less peer pressure to meet strengthened EU demands. In addition, all but the UK signed the Euro Plus Pact. Overall, the assumption is that Poland and Denmark experience the lowest peer pressure to comply with stricter EU demands, because they do not have the Euro as a currency and their economies were doing well in 2011.

Expanding interconnections through stricter economic governance

Europe 2020

After 2010, the EU changed its governance structure and created the European Semester within which four coordination mechanisms jointly analyze the progress of countries. One of these mechanisms is the Europe 2020 Strategy. It aims at smart, sustainable and inclusive growth, and includes employment and social policy targets such as having 75% of 20 to 64 year-olds in employment and a reduction of people in or at risk of poverty by 20 million by 2020. Europe 2020 introduced the option for member states to define their own quantitative targets, also if these are below EU ambitions. In this sense, member states have gotten more leeway to respond to EU level goals. In line with Treaty provisions, Europe 2020 is a soft law coordination cycle. Yet it has become more precise, as from 2010 member states have to give deadlines for policy conversion in their NRPs as well as spell out detailed policy steps (Bekker, 2013). Because member states are still the ones to formulate their own policy steps, more precision is not necessarily accompanied by more obligation or delegation. Another novelty is that the EU attaches deadlines to the CSRs, expecting national policy changes within 12 to 18 months (European Commission, 2011b). Additionally, in spite of attempts to simplify coordination by decreasing the number of economic and employment guidelines, the overall set of targets has expanded. Apart from the EU 2020 goals, the Commission introduced thematic flagship initiatives, as well as spelled out short-term targets in the Annual Growth Surveys and midterm targets in the Employment Package.

Stability and growth pact

Economic policies are scrutinized via the SGP, encompassing hard and soft law elements. Its preventative arm contains soft law reporting in annual stability or convergence programs, while its corrective arm, the EDP, combines a rather soft early warning mechanism with hard fines for Eurozone countries that keep failing to meet the criteria of having a maximum deficit of 3% of its Gross Domestic Product (GDP). An early warning system

should prevent the occurrence of an excessive deficit. If such a warning does not lead to better performance, the Commission will draft more specific recommendations, requesting the member state to take corrective actions. Thus, as a country progresses in a certain coordination mechanism, precision in policy recommendations increases. Although the option to take corrective measures existed prior to the implementation of stricter economic governance, the actual use of fines has never been decided upon, even though the situation in some countries could have justified such interventions (Morris, Ongena, & Schuknecht, 2006). Stricter economic governance therefore introduced new elements, one being that member states whose debt exceeds 60% of GDP also enter the EDP. They need to lower debt at a pre-defined pace (Council, 2011a). This makes policy coordination more precise but also expands the delegation of authority to include the height of debt. To facilitate the operation of the corrective arm, a new voting procedure has been installed, somewhat lowering the role of political processes that could block a Commission conclusion. This increases the level of obligation. Voting is now based on the reverse majority rule, considering the Commission's proposal for imposing sanctions as being adopted, unless the Council votes against it by qualified majority. Within the set of sanctions for euro-area countries novelties are incorporated as well, ranging from a non-interest-bearing deposit amounting to 0.2% of GDP to the conversion of this deposit into a fine of 0.2% of GDP if the deficit is not corrected (Bekker & Klose, 2013). Further non-compliance will result in the sanction being stepped up to 0.5% of GDP. Concluding, more soft as well as hard law elements have been introduced in the SGP, overall taking steps on the continuum towards more precision, obligation and delegation. This is also relevant for employment and social policy issues, as topics belonging to this domain are part of the economic policy coordination. The broad economic policy guidelines encourage the right framework conditions for wage bargaining systems and moreover advocate consistency of labor cost developments with price stability, productivity trends and the need to reduce external imbalances.

Euro plus pact and macro-economic imbalances procedure

To some extent the overlap between economic and employment policy coordination already existed prior to 2010, however, the introduction of joint assessment within the European Semester, as well as the implementation of two new coordination mechanisms furthers coordination ambiguity. One new coordination mechanism is the soft law Euro Plus Pact to which countries can voluntarily sign up and report on in their NRPs (European Council, 2011). It includes topics such as labor costs in relation to productivity and wage-setting arrangements, including the degree of centralization in the bargaining process (Heads of State or Government of the Euro Area, 2011). The second is the MIP, which has a preventative and a corrective arm, containing a soft start and a hard law end for Eurozone countries that repetitively fail to meet EU demands (EP and Council, 2011a). The soft arm starts with a scoreboard of indicators to evaluate country performance. This scoreboard has a range of other functions as well, and these resemble the characteristics of soft law, such as benchmarking and triggering learning effects. However, some of its characteristics lean closer towards hard law, including acting as an alert system to timely assess macro-economic and competitive imbalances and serving as a basis to issue warnings to member states. If the scoreboard reveals deviating trends, the Commission undertakes an in-depth study to explore whether potential imbalances are harmless or problematic. Next, a recommendation may be formulated, setting policy directions and a deadline for handing in a corrective

plan of action (EP and Council, 2011a). For Eurozone countries the corrective arm is accompanied with an enforcement mechanism consisting of an interest-bearing deposit which can be converted into a fine (up to 0.1% of GDP). In the corrective stage, member states are monitored more closely and recommendations become more detailed, including specific action plans, deadlines and time tables for surveillance. As such this stage characterizes more precision, delegation of authority and obligation. Employment indicators are part of the scoreboard, being the nominal unit labor cost as well as the unemployment rate. Here, interconnections with the soft Europe 2020 mechanism and the SGP emerges, as these address similar topics.

Concluding, the introduction of the stricter economic governance package advances interconnections between soft and hard law steering, mainly due to connecting economic, fiscal, employment and social policy coordination within the ES. Especially economic and fiscal policies have been strengthened, with Eurozone counties becoming liable to sanctions if they do not respond timely to EU demands. The four separate coordination mechanisms address to some extent the same topics, for example unemployment and wages. This interlinkage of soft employment and social policies with binding economic and fiscal coordination cycles, generates coordination ambiguity. It moreover leads to tensions between competences of EU-level versus national-level public administrations. Although the Treaty gives the EU different competences per policy area, in practice, the borders between policy areas seem blurred. The Commission reassures that it minds national sovereignty, for instance by referring in the MIP regulation to Treaty Article 152 TFEU on respecting national practices and institutions for wage formation and Article 28 of the Charter of Fundamental Rights, claiming not to affect the right to negotiate, conclude collective agreements or to take collective action (EP and Council, 2011b). Still, the MIP addresses topics that the Treaty considers to be typically member state matters, such as wages. The next sections analyze the first coordination cycle under the new regime to establish whether economic governance also limits the leeway of member states in practice.

Targets on which member states report

First, the article establishes which goals countries address in their national reports and whether these include economic and fiscal policies. Usually, NRPs respond to non-binding economic policy guidelines and social and employment policy guidelines (Council, 2005). In the 2011 NRPs, all case countries are very aware of the EU's targets, however, there is great variety in the type of targets to which they respond. It signals that in 2011, the case countries have some leeway in choosing which targets to report on. For instance, the UK and FR refer to both the employment guidelines and the broad economic policy guidelines. Poland also refers to some of these guidelines, however, more often chooses to relate its policies to the EU's thematic flagship initiatives. The UK, ES, DE, DK, FR, NL mention the Annual Growth Survey, although most of these countries only address (part of) these targets without necessarily taking these into account when describing policies. All seven countries refer to the quantitative headline targets and all but the UK report on the Euro Plus Pact requirements. All case countries but Poland refer to yet another set of goals: country specific bottlenecks adopted by the ECOFIN Council. These predominantly address macroeconomic and financial issues, but sometimes also labor market bottlenecks, such as human capital formation and labor market functioning (Bekker, 2013). Apparently, these bottlenecks have been communicated to countries as well, yet, seemingly outside the scope of the

ordinary European Semester coordination cycles. This gives rise to coordination ambiguity, while encouraging countries to pick-and-choose which goals to report on, thus improving the leeway countries have to respond to EU demands.

In line with the option given by the EU, member states have set their own quantitative goals, resulting in an overall less ambitious Europe 2020. Regarding employment rates, the joint plans of 27 member states will result in 73.4 to 74% employment in 2020 instead of the 75% the EU aims for (European Commission, 2011c). The Netherlands seems quite ambitious by setting its employment rate target at 80%. However, its NRP explains that this entails a gross employment rate measured by national standards, thus deviating strongly from the EU-level definition. Also the UK deviates from the EU standard and does not give an employment target at all. Regarding the reduction of poverty, national definitions vary as well, and include sometimes the reduction of jobless households. Overall, member states still seem to have much leeway in their response to EU level quantitative targets. This observation is consistent with findings on the effectiveness of soft law prior to 2010, in which member states often see NRPs as a reporting device rather than a vehicle for transforming national policies (Mailand, 2008; Copeland & Ter Haar, 2013).

Policy responses of countries

Second, the article explores whether binding economic and fiscal requirements are mentioned at all in the NRPs, even if not directly referring to overall targets. All seven case countries were in the EDP in 2011, of which NL, DE, FR and ES belong to the Eurozone (European Commission, 2013). The macroeconomic targets play some role in all seven NRPs, first of all by explicitly referring to the stability or convergence programs for a more detailed outline of economic and budgetary measures. For example, France is aware of the impact of stricter economic governance on the soft coordination of employment and social policies and thereby touches upon possible ambiguities in surveillance viewing the mixture of different coordination forms: *'The National Reform Program therefore takes on an entirely new dimension ... Together with the Stability Program, this is now the cornerstone of the new system of coordination, which blends surveillances of national fiscal frameworks with structural reforms'* (French Government, 2011, p. 3). Nonetheless, all seven NRPs show that countries take their own route in fulfilling EU level goals. For instance, Poland argues that it delivers EU targets while tackling national growth bottlenecks. The NRPs moreover show that meeting economic and financial targets impacts employment and social security, revealing that the integration of policy fields may result in coordination ambiguity. For example, the UK places the reform of its welfare system as a way to contribute to the fiscal consolidation plans. France argues that the application of its pension reform should improve the sustainability of public finances, and moreover mentions that structural reforms, being reforms in labor markets and social policies, are key to reduce macroeconomic imbalances. Germany, conversely, aims at fiscal consolidation without obstructing the potential for growth or threatening social balance. It thus plans to introduce more incentives to take up work, to reform the health care insurance system, but also to invest in education, research, and innovation.

Third, the article establishes the level of precision of NRPs, to see whether these reflect the EU demands regarding detailed policy steps and deadlines. The seven NRPs all show important leeway in reporting details and deadlines, and shows considerable variety in precision. Especially Poland and Germany have detailed NRPs, whereas the

Dutch NRP is rather vague. The other case countries show a mix of precise and more vague reporting, depending on the policy at hand. For example, for each thematic issue the Polish NRP has quite a detailed list of actions to be taken and specifies which Ministry should take the lead. It also includes a list of specific tasks for the year 2011. For instance, concerning labor market policies, Poland defines 16 action lines and 14 tasks to be carried out in 2011. Task 3.1.12 is the facilitation of reconciling work and care and the development of child care institutions for children aged up to 3 years, to be carried out by the Ministry of Labor and Social Policy. One task for this Ministry is the implementation of the Act of 4 February 2011 on care of children up to 3 years of age and the start of the Toddler program. Germany also presents a very detailed table with the name of the plan, its aim, the plan's status, the scheduled implementation including a date of entry into force. For instance the scheme Networks for Effective Assistance for Single Parents, includes quite detailed information such as *'ESF-funded program (financial budget: €25 million) to promote the development and expansion of local support structures for single parents at roughly 100 locations across Germany. An external service provider provides advice and coaching on the project design and setup. The progress of the individual projects is analysed and the results are evaluated scientifically at programme level. Funding period: April 2011 to June 2013'* (German Government, 2011, p. 41). Conversely, the Dutch NRP 2011 is far from detailed. It lacks concrete policy steps and does not give dates for implementation. For example, it devotes only ten lines to its key reform proposal that should solve much of its labor market and social policy challenges, most notably for people who are distanced from the labor market. It neither mentions what the measure entails exactly, what the budget is, nor when it will be implemented: *'Through the Work Capacity Act the government wishes to reform the Work and Social Assistance Act, Invalidity Insurance (Young Disabled Persons) Act and Sheltered Employment Act and move towards a locally implemented scheme for the lower end of the labour market'*. Dutch Government, 2011, p. 11). This vagueness is probably related to the installment of a new government, making it rather impossible to come up with a set of well-outlined plans.

The other case countries mix detailed information with vague plans, or describe past reform efforts. For instance, France often refer to programs that are already implemented. However, it sometimes also describes new plans, at times including a date for implementation and the amount of budget involved, such as the plan to raise the number of people in alternating work-study schemes to 800,000 in 2015. Also Denmark's NRP looks back at the history of reforms that contributed to its current position. It moreover gives concrete measures to address the EU's targets, among which plans to improve labor supply and employment by raising the early retirement age from 2014 and the public pension age from 2019.

The level of precision the seven countries display in their 2011 NRPs does not show a clear division between Eurozone and non-Eurozone countries. Poland for instance is not a Eurozone member, but still has quite a detailed NRP, whereas the Netherlands, which is a Eurozone country, only has broad policy plans in its 2011 NRP. In addition, the two member states in this study with the best performing economies, Germany and Poland, have the most detailed NRPs. In 2011, being a Eurozone member or facing deep recession thus does not seem to result automatically in compliance with the new EU demands concerning precision. This is contrary to the assumption that such countries would experience more pressure to meet EU demands.

Country-specific recommendations for member states

Fourth, a review of the CSRs shows whether stricter coordination may be detected in this part of the European Semester policy cycle. The CSRs of 2011 interconnect policy fields further and have various legal backgrounds (Thillaye, 2013). This deviates from pre-2010 CSRs, that are solely soft policy suggestions (Bekker, 2013; Thillaye, 2013). The general text preceding the CSRs explains that the Euro Plus Pact commitments (except for the UK that did not sign this pact) have been taken into account when drafting the recommendations. Moreover, it sets out which recommendations are attached to the SGP, and thus may have eventually a legally binding effect. All seven countries have received a first CSR either on fiscal consolidation measures or on budgetary strategies agreed upon in the context of the EDP. In addition, the second CSR of PL, UK and NL also refers to the EDP, thus attaching these to an eventually binding coordination mechanism.

In three of the seven case countries, social policies are part of a CSR that refers to the SGP and its corrective arm. This gives rise to some coordination ambiguity, especially in the second CSR for the Netherlands which recommends the Netherlands to reform its pension system in a rather specific way. *'Take measures to increase the statutory retirement age by linking it to life expectancy, and underpin these measures with others to raise the effective retirement age and to improve the long-term sustainability of public finances'*. (Council, 2011b, p.15). Given the fact that this CSR is posed while explicitly referring to Treaty Article 126(7), it is a direct basis for imposing fines in case of perpetual non-compliance. Yet, pensions also belong to the 'soft law' cycle of social policies in which the EU has little legislative power to coerce member state compliance. Using both these mechanisms for the same policy topic thus contributes to coordination ambiguity. To Germany the CSR based on the SGP also addresses the efficiency of public spending on health-care and long-term care, while for France the Council proposes to review the sustainability of the pension system. The first CSRs also indicate an investment approach for DE, NL, PL, UK, mentioning to consolidate in a sustainable and growth-friendly way, meaning for the Netherlands that expenditure on research and innovation, education and training should be protected in order to safeguard future growth.

All the other CSRs that the seven case countries received, do not refer back to eventually binding legal bases. These soft CSRs address a greater variety of social and employment issues and are tailored to country-specific challenges, for instance to combat labor market segmentation (FR), enhance labor participation (DE, NL), raise female labor participation (PL), increase labor supply (DK), revise employment protection legislation (FR), and improve human capital (FR, PL, UK). Regarding poverty, only the UK received a CSR, be it related to its budgetary commitments. *'Take measures, within current budgetary plans, to reduce the number of workless households by targeting those who are inactive because of caring responsibilities, including lone parents'*. (Council, 2011c, p. 14). This latter remark suggests a hierarchy, making budgetary commitments more relevant than fighting poverty. Given the fact that it is a soft recommendation, it may not automatically limit the leeway of the UK to design its welfare state. Still, it signals a tension between meeting social policy goals and budgetary requirements.

Fifth, analyzing precision, leads to the conclusion that at times CSRs are quite detailed about how a member state should reach a certain goal. For instance Germany should improve labor participation by improving fair access to training, by reducing the

high tax wedge in a budget neutral way and by giving people with a low income more incentives to work. Deadlines for policy conversion also reflect precision. The general deadline of 12 to 18 months applies to all case countries, as the list of recommendations always starts with the message that action should be taken within the period 2011–2012. Sometimes deadlines are attached to individual CSRs, most notably to the financial and budgetary targets that refer to deadlines set in the SGP or EDP. Yet, also other types of CSRs contain deadlines, such as Spain that has to assess the impact of two labor market reforms by the end of 2011 and the UK that should adopt a comprehensive strategy to reduce early school-leaving by the end of 2012.

Conclusion

After the crisis the EU has been developing a stricter economic governance program. Some policy cycles have been strengthened with soft as well as hard law elements, while new coordination cycles have been implemented. Moreover, the coordination of fiscal, economic, social and employment policies cycles are now integrated within the European Semester for joint assessment. These actions interconnect coordination mechanisms further. The analysis shows that separate coordination mechanisms evaluate the same policy items, also bringing social policy items under economic surveillance. This finding means that stricter economic governance challenges the boundaries of EU competences and the sovereignty of states to deal with social policies. For example, even though the Treaty states that member states have autonomy in most welfare state dossiers, economic governance nevertheless ties pensions and health care to the eventually binding SGP. The interconnection of distinct coordination cycles moreover contributes to coordination ambiguity, as it is unclear which items fall within the scope of what coordination mechanism. Yet, looking at the impact of new economic governance on seven member state's practices, a mixed picture emerges. A first finding is that country-specific recommendations are quite precise and now include deadlines and detailed policy suggestions. The national reports on meeting EU-level goals, also show awareness of the EU's stricter coordination. Yet, in 2011 countries still have leeway in responding to EU demands. Also Eurozone countries and countries experiencing economic difficulties have such leeway in 2011, although these countries are under more EU pressure to comply. Countries pick-and-choose to which targets to report and do not always give detailed accounts of policy implementation. It is likely that the tension between the competences of EU and national public administrations will grow with each European Semester, as new coordination mechanisms, such as the MIP, will be integrated better into the existing framework, while some countries will progress into corrective stages of coordination mechanisms. This will probably call to review the competences the EU and the member states have to develop welfare state arrangements while minding economic and fiscal targets.

Notes

1. More attention has been paid to the far-reaching restrictions for social and employment policies in bail-out countries that have received large loans (see e.g., Clauwaert & Schömann, 2012; Costamagna, 2012).
2. All documents belonging to the European Semester of policy coordination are publicly available via the Commission's Europe 2020 website: <http://ec.europa.eu/europe2020>.

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